

Agency 160

Office of Insurance Commissioner**Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2003-05 Expenditure Authority	199.2		34,118	34,118
Total Maintenance Level	199.7		35,061	35,061
Difference	.5		943	943
Percent Change from Current Biennium	0.3%		2.8%	2.8%
Performance Changes				
Middle Management Reduction	(2.9)		(312)	(312)
General Inflation			(89)	(89)
Financial Analysis Improvement	1.0		194	194
HP 3000 Computer Replacement	3.8		3,514	3,514
Illegal Insurer Investigations	1.0		162	162
Information Technology Asset Replacement			594	594
Market Analysis Development Project	.5		108	108
SHIBA HelpLine	1.0		452	452
Subtotal	4.4		4,623	4,623
Total Proposed Budget	204.1		39,684	39,684
Difference	4.9		5,566	5,566
Percent Change from Current Biennium	2.5%		16.3%	16.3%
Total Proposed Budget by Activity				
Agency Administration	37.8		7,177	7,177
Monitoring Insurance Company Solvency	56.6		10,419	10,419
Investigations and Enforcement	11.0		2,091	2,091
Consumer Information and Advocacy	26.5		4,383	4,383
Health Insurance Benefit Advisors	16.0		3,757	3,757
Policy and Enforcement	18.0		3,953	3,953
Agents and Brokers Licensing and Education	12.0		1,694	1,694
Regulation of Insurance Rates and Forms	29.1		5,691	5,691
Compensation Cost Adjustment			831	831
Middle Management Reduction	(2.9)		(312)	(312)
Total Proposed Budget	204.1		39,684	39,684

PERFORMANCE LEVEL CHANGE DESCRIPTIONS**Middle Management Reduction**

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.

GOVERNMENTAL OPERATIONS

Financial Analysis Improvement

Funding is provided to hire an additional insurance examiner that will enable the Office of Insurance Commissioner (OIC) to identify financially troubled insurers earlier, allowing the agency to take corrective action sooner, thus reducing the risk to consumers. OIC performs a basic analysis of domestic insurers' financial statements which identifies companies with the potential of becoming financially distressed. Through early detection and intervention, the agency can assist companies before they face serious financial problems or insolvency. Currently, OIC is only able to perform an analysis of the most troubled companies. (Insurance Commissioner's Regulatory Account-State)

HP 3000 Computer Replacement

The Office of Insurance Commissioner's HP 3000 mainframe computer will no longer be supported by the manufacturer as of December 2006. All mission critical agency insurance data reside on this system. Funding is provided to replace the mainframe and to redesign all mission critical applications. Funding for the requirements definition phase of this project was approved in the 2004 Supplemental Budget. (Insurance Commissioner's Regulatory Account-State)

Illegal Insurer Investigations

Washington consumers are being victimized by criminal enterprises selling fraudulent insurance products. This funding will enable the Office of Insurance Commissioner to evaluate and investigate all referrals of suspected criminal activity involving insurance transactions. Funding for one investigator position is needed to supplement the work of the current investigator. (Insurance Commissioner's Regulatory Account-State)

Information Technology Asset Replacement

The Office of Insurance Commissioner's current personal computer and network infrastructure has reached the end of its life cycle. Funding is provided for an information technology (IT) asset replacement cycle for all IT equipment and standard desktop software. (Insurance Commissioner's Regulatory Account-State)

Market Analysis Development Project

Funding is needed for a one-year project position to determine the feasibility, design, structure, and organizational impact of establishing a market analysis program as a tool for regulating insurance products sold in the state of Washington. This development project is being driven at the national level to better focus limited resources on consumer protection. (Insurance Commissioner's Regulatory-State)

SHIBA HelpLine

The Office of Insurance Commissioner's Statewide Health Insurance Benefits Advisors (SHIBA) HelpLine is a statewide network of trained volunteers who provide one-on-one counseling and community education to consumers on health care and health insurance. SHIBA volunteers are supported by a county sponsor, usually a single community organization working with consumers in that county. The increasingly diverse population of Washington, including many non-English speaking residents, has strained sponsor capability, particularly in King, Pierce and Snohomish counties. Funding is provided for sponsor reimbursements and a health insurance advisor to improve service to the diverse populations of this three-county area. (Insurance Commissioner's Regulatory Account-State)

ACTIVITY DESCRIPTIONS

Agency Administration

The Office of the Insurance Commissioner (OIC) is responsible for regulating the insurance industry in Washington State. The activities of OIC are primarily funded by fees from insurance organizations. Agency management develops policies, regulations, and codes to ensure that the citizens of Washington are able to access affordable insurance; it also provides the administrative support necessary for other divisions within the office to carry out their functions. (Insurance Commissioner's Regulatory-State)

Monitoring Insurance Company Solvency

This activity protects consumers by monitoring the solvency of insurance carriers, health care service contractors, health maintenance organizations, and certified health plans authorized to conduct business in Washington State. Solvency issues may be identified through market conduct examinations, financial examinations, or financial analysis of statements filed by insurers. If increased monitoring activity and insurer's response to that activity do not result in an improvement of the solvency issues, the Insurance Commissioner may petition the Superior Court for a rehabilitation order. Upon entry of a rehabilitation order, the insurer's management is suspended, and the Insurance Commissioner and his/her staff, as officers of the court, manage the insurer's operations. If rehabilitation is deemed unlikely, the court may order the insurer liquidated. The Insurance Commissioner continues to manage the operations of the insurer until liquidation is complete. (Insurance Commissioner's Regulatory-State)

Investigations and Enforcement

Staff investigates and acts upon violations of laws and rules regarding sales and marketing practices, account standards, and related matters. Staff also assists consumers with problems involving insurance sales or marketing practices by agents, brokers, or insurers. (Insurance Commissioner's Regulatory-State)

Consumer Information and Advocacy

Staff responds to oral and written complaints and inquiries from consumers regarding insurance companies, and acts as an advocate when appropriate. Assistance is rendered to enforce the various provisions of the insurance code and is based on authority to take disciplinary action against an insurance company and other licensees. The unit's primary function is to ensure that consumer rights have not been violated. Staff also provides information to help consumers make educated decisions about insurance purchases. (Insurance Commissioner's Regulatory-State)

Health Insurance Benefit Advisors

The Statewide Health Insurance Benefits Advisors (SHIBA) HelpLine is a statewide network of trained volunteers who educate, assist, and advocate for consumers regarding health insurance and health care access issues. (Insurance Commissioner's Regulatory-State)

Policy and Enforcement

Staff handles enforcement actions against insurance companies, health carriers, and others; provides information and counsel to other agency divisions; and supports the public policy activities of the agency. (Insurance Commissioner's Regulatory-State)

Agents and Brokers Licensing and Education

Staff involved in this activity issues and renews licenses for agents, brokers, solicitors, adjusters, viatical settlement brokers, and others. Staff also administers continuing education requirements. (Insurance Commissioner's Regulatory-State)

Regulation of Insurance Rates and Forms

Staff reviews and approves the complex actuarial formulas, assumptions, and experience data submitted as part of a proposed rate filing to ensure rates are neither excessive, inadequate, nor unfairly discriminatory. Timely and accurate review is necessary to ensure the financial viability of the insurance company, as well as protecting Washington citizens from overcharges. Policy forms are reviewed to ensure that the terms and conditions of the insurance contract comply with state and federal laws prior to sale in Washington. (Insurance Commissioner's Regulatory-State)

Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.